

Message Text

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PAGE 01 SAN JO 03024 251859Z

63

ACTION ARA-20

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 RSR-01 (ADP) W

----- 056490

R 251810Z AUG 73

FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 4912
INFO AMEMBASSY MANAGUA
AMEMASSY GUATEMALA
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

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GUATEMALA FOR ROCAP

E.O. 11652: N/A

TAGS: EGEN, NU, FGFN, XK, CS

SUBJECT: EXTENSION OF INDUSTRIAL INCENTIVES

REF: (A) STATE 158843; (B) SAN JOSE 2603;

(C) SAN JOSE 2770; (D) SAN JOSE 2788

1. AS MENTIONED IN REF. B PRIOR TO THE MANAGUAN MEETINGS AND REFS. C AND D FOLLOWING THE MEETING, THE GOCR HAD BEEN UNDER CONSIDERABLE PRESSURE FROM INDUSTRIALISTS TO MAINTAIN THE INDUSTRIAL CONTRACTS. THE CHAMBER OF INDUSTRIES, IN PARTICULAR, HAD BEEN ACTIVELY SEEKING THEIR CONTINUATION AND SEEMS TO HAVE SUCCESSFULLY TRADED OFF ITS SUPPORT OF THE SAN JOSE PROTOCOL FOR THE GOCR'S SUPPORT OF EXTENDING THE INDUSTRY INCENTIVES SYSTEM. IT SHOULD BE RECALLED, TOO, THAT, AS DISCUSSED

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IN ROCAP'S AIRGRAM CAPTO A-27, THE NUMBER OF FIRMS

ACTUALLY RECEIVING BENEFITS AS A RESULT OF THE TWO-YEAR EXTENSION IS SMALL, 80 PERCENT OF THE FIRMS WITH CONTRACTS ARE UNAFFECTED BY THE RULING. THUS, WHILE SIECA ARGUED AGAINST THE EXTENSION, IS IS NOT SURPRISING THAT THE MINISTERS ELECTED A POLITICALLY EXPEDITIOUS AND OTHERWISE FAIRLY COSTLESS (AT LEAST FOR THE PRODTPO) ALTERNATIVE. GIVEN SUCH SHORT-RUN POLITICAL CONSIDERATIONS, TOO MUCH LONG-RANGE IMPORTANCE PROBABLY SHOULD NOT BE ATTACHED TO THE EXTENSION. AS DISCUSSED IN SECTION 7 OF THE ROCAP AIRGRAM, THE EXTENSION IS NOT A POSITIVE MOVEMENT IN THE DIRECTION OF INTEGRATIONBC BUT OUGHT TO BE SEEN AS AFFORDING "BREATHING SPACE", ALLOWING TIME FOR LONG-RANGE MATTERS TO BE DISCUSSED.

2. CONCERNING PARAGRAPH 2, REF. A, SOLANO PROBABLY WAS INFLUENCED BY PRESS REPORTS SHORTLY BEFORE THE NICARAGUA MEDWINGHGHAT SOMOSA HAD QUIETLY EXTENDED SOME CONTRACTS. AT THE MEETING, OF COURSE, SOMOSA CAME OUT AGAINST EXTENDING THE INDUSTRIAL INCENTIVES REGIME. WITHIN THE GOCR DEL, FINANCE MINISTER ALPIZAR AGREED WITH SOMOSA'S THESIS (AS PROBABLY DID MOST FINANCE MINISTERS ELSEWHERE).

VAKY

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 25 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SANJO03024
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730815/aaaaaksl.tel
Line Count: 86
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) STATE 158843; (B) SAN JOSE 2603;
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 23 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23-Jan-2002 by martinml>; APPROVED <11 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXTENSION OF INDUSTRIAL INCENTIVES
TAGS: EGEN, EFIN, NU, XK, CS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005